

**DEFENSE FINANCE AND ACCOUNTING SERVICE**

**SAN DIEGO OPERATING LOCATION
4181 RUFFIN ROAD
SAN DIEGO, CA 92123-1819**

(DFAS-SD/D)

OCT 09 1998

**MEMORANDUM FOR CHIEF, BUREAU OF MEDICINE AND SURGERY (MED-01)
COMMANDER, NAVAL MEDICAL LOGISTICS COMMAND**

SUBJECT: Rejection of Invoices Failing Prevalidation

I am requesting your collaboration as business partners to improve the invoice payment process, from receipt by the certifying activity, to payment by DFAS San Diego.

Two factors have focused our attention on the invoice paying process. 1) Requirement to prevalidate all payments to prevent Unmatched Disbursements [Public Law 103-355, Grassley amendment]. 2) Significant amount of interest penalties caused by Government Purchase Card invoices that failed prevalidation for non/under obligation of funds.

As of October 1, 1998, the prevalidation threshold for all payments made by DFAS San Diego has been lowered to zero. I am proposing a joint effort with you, as our business partners, to make all payments in a timely manner, thereby eliminating interest penalties caused by late payments and reducing rework at DFAS San Diego and at your activities. Interest penalties are indicative of problems with the invoice payment process, and divert taxpayer's funds that could be better applied towards our war-fighting mission.

The attached Invoice Processing Timeline describes the payment process for invoices with net 30 payment terms and corresponding time goals for each step in the process. Analysis of data in our bill paying system indicates that the vast majority of delays in the payment process occur at the certifying activity for three reasons (see attachment). 1) Mail distribution problems that delay receipt of invoices from vendors (A). 2) Delays in certifying invoices for payment (B). 3) Prevalidation failures (D). The first two reasons for delay are internal to the certifying activities.

The third reason, prevalidation failures ("M" status), while caused by Funds Administering Activities (FAAs) and certifying activities, results in significant rework for DFAS San Diego personnel who must contact FAAs to request that funds be obligated. This situation is unacceptable. DoD FMR and OUSD (Comptroller) memo dated February 26, 1996 require all FAAs to record obligations in the official accounting system within 10 calendar days of incurring an obligation. Furthermore, integral to the process of invoice certification is verification that funds are obligated in the official accounting system. If these procedures were followed by all FAAs and their certifying activities, the number of invoices failing prevalidation would be zero and corresponding interest penalties would also be zero.

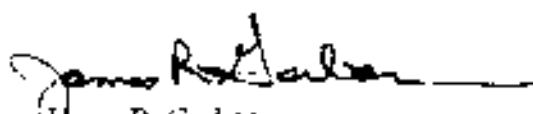
I am requesting that all FAAs and certifying activities within your claimancy review their invoice payment procedures to reduce the time it takes to receive and certify invoices, and to actually verify that obligations are properly recorded in the accounting systems prior to forwarding certified invoices to DFAS San Diego. These actions would result in dramatic improvements to the quality of our integrated process.

Effective November 1, 1998, DFAS San Diego will implement a process by which invoices in "M" status for 10 or more days will be rejected (placed in "R" status) and returned to the Commanding Officer of the FAA. A month-end report of invoices remaining in "R" status will be forwarded to the FAA Comptrollers and to next higher echelon Comptrollers.

Fund Administrators have at their disposal the Field Report of Obligation Deficiencies (INFOPAC report IDA 128) that lists all invoices failing prevalidation at DFAS San Diego. FAAs should review this report daily and take corrective action to obligate funds. FAAs should also review the Prevalidation Invalid Request Report (INFOPAC report LXF3113B) that lists invoices failing prevalidation at other paying offices.

My points of contact are Mr. Bill Kisner, Director for Finance at (619) 616-5400, Mr. Al Parra, Division Director for Vendor Pay at (619) 616-5410, and LCDR Del Vecchio, MSC, USN, BUMED Liaison Officer at (619) 616-4736.

I welcome the opportunity to discuss this issue with you. I can be reached at (619) 616-4700.


James R. Garban
Captain, SC, USN
Commander

Attachment

cc:
DFAS-CL/DD/A/F

INVOICE PROCESSING TIMELINE

(Net 30 payment terms)

A	B	C	D	E	
<8	<15	<3	<5	<7	<= 38 days
(PPA Timeline)	<15	<3	<5	<7	<= 30 days

VENDOR	FUNDS ADMINISTERING ACTIVITY / CERTIFYING ACTIVITY	PAYING OFFICE / DFAS SAN DIEGO	PAYING OFFICE / DFAS SAN DIEGO	PAYING OFFICE / DFAS SAN DIEGO
Invoice mail time to Certifying Activity	Invoice certification	Receive invoices	Prevalidate invoices	Cash management queues until payment due date
	Date stamp invoices upon receipt	Input into bill paying system		Pay invoice
	Accept materials / services			
	Validate obligations			
	Balance invoices			
	Certify invoice and prepare invoice packages			
	Mail to DFAS San Diego			